

Message Text

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21

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FM AMEMBASSY VIENNA

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SUBJ: CIVAIR: CONSULTATIONS UNDER BILATERAL

1. FOLLOWING ARE EMBASSY COMMENTS ON UPCOMING CONSUL-TATIONS WITH GOA.
2. AUSTRIANS HAVE GIVEN UP, FOR THE TIME BEING AT LEAST, THEIR AMBITIOUS PLANS FOR LONG-RANGE SERVICE EITHER ACROSS THE ATLANTIC OR TO FAR EAST. THEY INTEND TO CONCENTRATE IN NEXT FIVE YEARS ON EUROPEAN AND NEAR EAST/ MEDITERRANEAN SHORT-HAUL MARKET. TO PROTECT AND EXPAND THEIR SERVICE IN THAT AREA AUSTRIANS WANT TO ELIMINATE ALL FIFTH FREEDOM TRAFFIC INVOLVING INTERMEDIATE POINTS IN EUROPE. THIS OBJECTIVE APPLIES EQUALLY TO U.S. AND ANY OTHER CARRIERS WHICH HAVE SUCH RIGHTS. AUSTRIANS CLAIM SOME AIRLINES INCLUDING SAS, SWISS AIR AND QUANTAS HAVE VOLUNTARILY WAIVED EXERCISE OF FIFTH FREEDOM RIGHTS.
3. WITH REGARD TO U.S., AUSTRIANS HAD GROWN INCREAS-INGLY RESTIVE WITH PAN AM'S EXERCISE OF FIFTH FREEDOM TRAFFIC RIGHTS. THEY OBJECTED PARTICULARLY TO SEEMINGLY ERRATIC WAY IN WHICH PAN AM SHIFTED INTERMEDIATE POINTS. THIS MADE IT EXTREMELY DIFFICULT FOR AUA TO MAKE ANY FIRM PLANS FOR DEVELOPMENT OF TRAFFIC TO CITIES WHICH

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PAN AM ALSO SERVICED AS INTERMEDIATE POINTS ON NEW YORK/

VIENNA ROUTE.

4. IN GOING INTO CONSULTATIONS WITH U.S., AUSTRIANS PROBABLY FEEL THEY ARE IN STRONG POSITION, SINCE WHILE U.S. EXERCISES ITS RIGHTS TO FLY TO AUSTRIA, AUSTRIANS ARE NOT NOW EXERCISING THEIR RIGHTS IN U.S. AND GIVE NO EVIDENCE THAT THEY PLAN TO DO SO IN FORESEEABLE FUTURE. (ARRANGEMENT WITH SABENA FOR SERVICE TO NEW YORK WAS SOMETHING OF A FIASCO.)

5. HOWEVER, TOURISM IS VITAL TO AUSTRIA. AUSTRIA'S TRADITIONAL TRADE DEFICIT IS NORMALLY MADE UP IN LARGE PART BY TOURIST RECEIPTS. WHILE BULK OF TOURISTS IN AUSTRIA COME FROM GERMANY AND OTHER NEIGHBORING COUNTRIES, TOURISM FOR THE U.S. IS IMPORTANT, AND FALL-OFF IN U.S. TOURISM IN RECENT YEARS HAS BEEN SOURCE OF CONCERN TO AUSTRIANS. SINCE AUA DOES NOT SERVICE U.S., U.S. CARRIER SERVICE IS ALL THE MORE IMPORTANT TO AUSTRIA. WE SHOULD MAKE MOST OF FACT THAT WE OFFER DIRECT NEW YORK/ VIENNA SERVICE AND THAT THIS IS OF CONSIDERABLE VALUE TO AUSTRIA. THIS WILL BE PARTICULARLY TRUE WITH WINTER OLYMPIC GAMES SET FOR INNSBRUCK IN 1976. MORE-OVER, FACT THAT TWA HAS HIGHLY DEVELOPED DOMESTIC NETWORK REINFORCES VALUE OF DIRECT TWA NEW YORK/VIENNA SERVICE.

6. WE HAVE IMPRESSION GOA AND AUA GENUINELY WELCOME PAN AM/TWA SWAP AS CHANCE FOR FRESH START WITH U.S. CARRIER. TWA REP HERE HAS MADE STRONG CASE TO AUSTRIANS THAT AUA AND TWA NEED NOT BE COMPETITIVE BY THAT THEY CAN WORK TOGETHER AS PARTNERS TO THEIR MUTUAL ADVANTAGE IN DEVELOPING AUSTRIAN/U.S. TRAVEL MARKET.

7. MUCH AS AUSTRIANS WOULD LIKE TO COOPERATE WITH TWA, THEY VIEW TWA SERVICE BETWEEN GENEVA AND/OR ZURICH AND VIENNA AS SERIOUS THREAT TO AUA'S FLIGHTS ON SAME ROUTES. THEY ALSO BELIEVE THAT FROM TWA'S OVERALL STANDPOINT, SUCH TRAFFIC CAN BE OF LITTLE IMPORTANCE.

8. IN ONE AREA TWA HAS ALREADY BEGUN TO FOLLOW PAN AM'S LIMITED OFFICIAL USE

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PRACTICE OF SHIFTING FOR ONE INTERMEDIATE POINT TO ANOTHER (ZURICH TO GENEVA). TWA REP ZAMBELLO BELIEVES THIS IS BAD WAY TO START WITH AUSTRIANS AND WE CONCUR. IT MIGHT HELP MATTERS IF TWA COULD PROVIDE SOME ASSURANCES THAT IT WILL NOT SWITCH BACK AND FORTH BETWEEN INTERMEDIATE POINTS IN MANNER THAT MAKES IT DIFFICULT FOR AUSTRIANS TO PLAN THEIR OWN MARKET DEVELOPMENT.

9. IF CONSULTATIONS ARE NOT SUCCESSFUL FROM AUSTRIAN STANDPOINT, THEY HAVE NOT INDICATED TO US WHAT COURSE THEY MAY THEN FOLLOW. OCCASIONALLY IN PAST FEW YEARS WE HAVE HEARD RUMBLINGS IN CONNECTION WITH PROBLEMS WITH PAN AM ABOUT POSSIBILITY OF ASKING FOR RENEGOTIATION OF BILATERAL AND RECENTLY FOREIGN OFFICE OFFICIAL INDICATED THAT IS "ALWAYS A THEORETICAL POSSIBILITY". AUSTRIANS WILL THINK CAREFULLY BEFORE DENOUNCING BILATERAL, IN VIEW OF THEIR CLOSE RELATIONSHIP WITH THE U.S. ON THE OTHER HAND IT COULD NOT BE RULED OUT THAT PRESSURE MIGHT BUILD FOR SUCH A STEP.

10. EMBOFFS SAW AUSTRIAN DELEGATION TODAY AT LUNCH. THEY REITERATED THAT THEIR OBJECTIVE IS TO CUT OUT U.S. FIFTH FREEDOM TRAFFIC BETWEEN VIENNA AND ANY INTERMEDIATE POINTS IN EUROPE ON U.S./AUSTRIAN ROUTES WHICH ARE ALSO SERVED BY AUA.

AT SAME TIME THEY SAID THEY WERE NOT REPEAT NOT CONCERNED ABOUT U.S. BEYOND RIGHTS FROM VIENNA. AUSTRIANS, PARTICULARLY BAMMER OF AUA, CLAIMED THAT WITH PROPER MARKET DEVELOPMENT U.S. CARRIER COULD CARRY LION'S SHARE OF 50,000 AUSTRIANS PER YEAR GOING TO U.S., IF IT OFFERED NON-STOP SERVICE. AS IT IS, HE MAINTAINED U.S. IS LOSING MUCH OF THIS BUSINESS TO OTHER CARRIERS SINCE AUSTRIANS MUST STOP AT SOME OTHER POINT IN EUROPE BEFORE PROCEEDING TO U.S. AND THEREFORE OTHER CARRIERS GET MUCH OF THIS BUSINESS. WHILE AUSTRIAN DID NOT TELL US OF ANY FALL-BACK POSITION, WE HAD IMPRESSION THEY MIGHT BE PREPARED TO CONSIDER SOME LIMITATIONS ON U.S. FIFTH FREEDOM TRAFFIC ON INTER-MEDIATE POINT - VIENNA SERVICE SHORT OF ELIMINATING IT. BAMMER REPEATED THAT TWA SERVICE BETWEEN ZURICH OR GENEVA AND VIENNA WOULD DRIVE AUA'S LOAD FACTOR ON THESE ROUTES TO SO LOW A POINT THAT AUA WOULD HAVE TO TERMINATE THEM. AUSTRIANS LIMITED OFFICIAL USE

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HOPE TO BE ABLE TO LEAVE WASHINGTON NOT LATER THAN FRIDAY, AS THEY HAVE ANOTHER ROUND OF TALKS WITH FRG COMING UP EARLY IN FOLLOWING WEEK.

11. EMBASSY REPORTING SEPARATELY ON PRESENT CONDITION OF AUA AND RECENT ROUND OF AUSTRIAN CIVIL AVIATION DISCUSSIONS WITH OTHER COUNTRIES (VIENNA 2175 AND 2174). MOWINCKEL

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